

During the entire last week in Brazil, weather has been perfect in most states with good precipitation followed by periods of nice and sunny skies; conditions that were extremely favorable for new crop planting progress. According to private research company SAFRAS & Mercado, by November 6th, 46% of expected total area has been planted, 5% points higher than previous week and compared to 38% of last year.

Number 2 a 3 producing states Paraná and Rio Grande do Sul, respectively are running slightly below normal due to continue rains prohibiting farmers to get the wheat out of the fields and plant soybeans right behind. However, there still not enough time before it becomes a concern.

As INMET (National Weather Institute) notes, weather forecast for Brazil in the next few weeks includes stronger rainfall followed by sunny days, which will benefit the crop, unlike last year, where parts of the country saw long periods of dryness.

| Planting progress of soybean - Brazil | | | | |
|--|-----------------------|------------------------|-----------------------|-----------------------|
| (% of projected area) | | | | |
| States | 2009 6/Nov | 2009 30/Oct | 2008 6/Nov | 5 Year Average |
| RS | 13 | 7 | 13 | 17 |
| PR | 55 | 32 | 63 | 56 |
| MT | 71 | 55 | 55 | 60 |
| MS | 60 | 43 | 53 | 50 |
| GO | 62 | 45 | 43 | 42 |
| SP | 26 | 10 | 11 | 26 |
| MG | 38 | 19 | 6 | 9 |
| BA | 2 | 2 | 0 | 3 |
| SC | 20 | 7 | 6 | 8 |
| BRAZIL | 46 | 31 | 38 | 36 |

Source: SAFRAS & Mercado

IBGE (Center of Statistics) released last Friday a production estimate for Brazil of 62.5 to 63.6 million tons with an impressive increase of 36% in drought affected state Paraná. Rio Grande do Sul was another state hit by a drought and this year shows tremendous growth of 20%. Another factor is the increase of soybeans on corn this year: some analysts estimate corn plantings in both of these states at 20 to 40% less than last year due to poor crop economics, large stocks and lack of locally liquidity. Safras & Mercado pegs the Brazilian crop at 64.80 million tons, see their table below.

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| Production of soybean - Brazil | | |
|---------------------------------------|----------------|----------------|
| (in thousand tons) | | |
| States | 2009/10 | 2008/09 |
| SUL | 23.411 | 18.500 |
| Paraná | 13.050 | 9.550 |
| Rio Grande do Sul | 9.200 | 8.000 |
| Santa Catarina | 1.161 | 950 |
| CENTRO-OESTE | 30.373 | 29.015 |
| Mato Grosso | 18.147 | 17.880 |
| Goiás | 6.960 | 6.780 |
| Mato Grosso do Sul | 5.101 | 4.200 |
| Distrito Federal | 165 | 155 |
| SUDESTE | 4.468 | 4.000 |
| Minas Gerais | 2.900 | 2.650 |
| São Paulo | 1.568 | 1.350 |
| NORDESTE | 4.988 | 4.300 |
| Bahia | 2.907 | 2.500 |
| Maranhão | 1.197 | 1.020 |
| Piauí | 884 | 780 |
| NORTE | 1.565 | 1.457 |
| Tocantins | 952 | 870 |
| Rondônia | 330 | 320 |
| Roraima | 35 | 28 |
| Pará | 214 | 210 |
| Amazonas | 35 | 29 |
| BRASIL | 64.805 | 57.272 |

Source: SAFRAS & Mercado

Our general feeling in the office is that the crop will be record, however ending stocks smaller than most think due to the record exports this year to China in detriment of Argentina smaller crop and exports. Our general perspective is 14 to 15 millions ending stocks for 2009/10 crop, as we estimate initial stocks close to 9 million versus 11 to 11.6 million tons of the market.

Brazil 09-10 Soybean Crop – Conab Report

| | Conab October Report | Lower | Higher |
|------------|----------------------|-------|--------|
| Carrying | 11.60 | 11.60 | 11.60 |
| Production | 62.00 | 62.50 | 63.60 |
| Supply | 73.75 | 74.1 | 75.2 |
| Crush | 33.82 | 33.82 | 33.82 |
| Exports | 23.65 | 23.65 | 23.65 |
| Carryout | 13.25 | 16.63 | 17.73 |

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